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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - FEBRUARY 20, 2007

¶1. The following are brief items of interest compiled by Embassy Minsk.

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International Relations

¶2. U.S. Citizens Deported from Belarus

According to a February 15 independent media article, the Public Relations Department of the Mogilyov Regional Police detained a group of ten U.S. citizens last week. The police charged them with violating Article 185 of Belarus' Administrative code "Violation of Rules of Foreign Citizens' Stay in Belarus", fined them USD 14.50 each, and then released them. This week the GOB informed the group that they would be deported and unable to return to Belarus for at least two years. The group found themselves in violation of the Administrative Code because they failed to obtain prior permission from the Education Ministry before they began teaching English at a house of worship in Mogilev.

13. Lukashenko "Seeks Cooperation" with Europe

On February 13, independent media reported that Lukashenko had stated that he was "fed up" with Russia. Then, while accepting credentials from several ambassadors, Lukashenko stated that Belarus is ready for mutually beneficial cooperation with Europe. He told the French ambassador that the two countries share many approaches to pressing international issues, and that Belarus respects France because of its "significant role in Europe's political and economic life." He also told the ambassador from Spain, who covers Belarus from Russia, that their two countries should concentrate their efforts into developing and diversifying bilateral trade. Lukashenko promised that all the necessary conditions for the diplomats' fruitful work would be created in Belarus.

14. GOB Delegation Meets with ILO

From February 13 to 16, a Belarusian delegation led by Deputy Prime Minister Andrey Kobyakov held a round of consultations with representatives of the International Labor Organization ILO in Geneva. The meeting reportedly focused on the implementation of recommendations given to the GOB by the ILO Commission of Inquiry two years ago. The ILO gave the GOB until November 2006 to bring national regulations into line with international standards or face expulsion from the organization. According to the ILO executive director, who made an official visit to Minsk in January of this year, Belarus has made steps to implement some of the ILO recommendations, but the situation with regard to trade unions' rights remains serious.

15. Belarusian and Venezuelan Ambassadors Meet

In a February 13 article, independent media reported that the Belarusian Ambassador to Russia had met with his Venezuelan counterpart the previous day in Moscow. Reportedly, they discussed the implementation of agreements reached by Presidents Lukashenko

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and Chavez at their meeting in Minsk last summer. They also raised the issue of expanding bilateral trade. Venezuela allegedly plans to open an embassy in Belarus before the end of April.

16. Lukashenko Accepts Credentials from Ambassadors

Independent media reported on February 13 that Lukashenko had accepted credentials from the new Ambassadors of Benin, Egypt, Equatorial Guinea, France, Greece, Lithuania, Sierra Leone and Spain to Belarus. Lukashenko told the Egyptian Ambassador that he views Egypt as a major political and economic partner in the Middle East. He also said that Belarus intends to increase economic cooperation with Egypt and assemble machinery there.

Civil Society

17. Malady Front Marches Despite GOB Denial

On February 14, more than 100 Malady Front youth activists gathered in Minsk's Liberty Square and took Valentine's Day messages to the U.S., German, and French Embassies. DCM and Poloffs received the messages and presented the activists with small gifts. Authorities reportedly detained at least one activist. On February 13, independent media reported that the GOB had denied the unregistered opposition youth group, "Malady Front," permission to stage a traditional Valentine's Day march. Authorities ostensibly denied the application because those who signed the request had failed to indicate their place of work.

18. German Ambassador Did Not Visit Kozulin

In an interview with independent media on February 12, Irina Kozulina (wife of imprisoned opposition former presidential candidate Alexander Kozulin) denied reports that the German Ambassador to Belarus had met with her husband. Apparently, a translator incorrectly interpreted part of Kozulina's February 8 speech at the European Parliament in Brussels. She said, "it would be a good sign if the German Ambassador were allowed to meet with"

her husband. However, the translator interpreted it as though the Ambassador had already met with Kozulin.

19. Court Rejects Independent Paper's Appeal

On February 13, independent media reported that the appellate board of the Vitebsk Regional Economic Court had rejected an appeal by the local independent newspaper Vitebskiy Kuryer to overturn an earlier court decision against the paper. A lower court had supported the GOB's decision to cancel the paper's office space lease. The paper now plans to appeal the case again in the Supreme Economic Court of Belarus.

International Trade and Investment

10. 2007 Potash Exports to Rise 7.2 Million Tons

The Belarusian fertilizer company Belaruskaliy, one of the world's largest producers of potassium fertilizers (14.85 percent), plans to expand its exports in 2007 to 7.2 million tons. The domestic market will receive approximately 950,000 tons. In 2006, Belaruskaliy exports fell short of its projected volume of 6.3 million tons because of a stalled contract with China, its major buyer. In terms of real cash, this year exports will grow even faster. Last year, the price per ton rose by USD 11 and likely will keep rising this year. In 2007, Belaruskaliy will reportedly operate to its full capacity but its production will fall 400,000 tons short of fulfilling demand.

11. GOB Starts Clearance of Individuals' Fuel Exports

On February 12, Belarus' State Customs Committee ruled that starting March 1, individuals departing Belarus in a motor vehicle more than once within three days will have to declare all fuel in their tanks and pay an export tariff. Since Belarusian gasoline and diesel fuel are slightly cheaper than in neighboring countries, many people routinely fill their tanks in Belarus to sell the fuel across the border. With this measure, the government reportedly seeks to both avoid a fuel shortage and encourage unauthorized exporters to establish a legitimate business. The new requirement does not apply to members of official foreign delegations, members of diplomatic missions and international organizations, government officials on business travel, truck drivers hauling international cargoes, or to individuals traveling abroad for health recuperations or on a work visa. Independent economic analyst Leonid Zaiko recently told us that the new measure would likely be temporary and become redundant when the price of car fuel in Belarus reaches a level comparable with neighboring countries.

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Domestic Economy

12. National Bank Reports 1.1 Percent Drop in Reserves

According to the National Bank of Belarus, Belarus' gold and foreign exchange reserves fell from USD 1.753 billion in December 2006 to USD 1.734 billion in January 2007. The country's reserves rose fast over the last few years (e.g. 9.6 percent in 2006) and the plans for 2007 were also ambitious - USD 200-400 million. Given the higher energy prices that Belarus has to pay this year, National Bank representatives noted that Belarus will have to wait and see what other sources the country will find to recoup the fall and achieve this goal.

13. January Inflation Puts 2007 Target in Jeopardy

On February 13, the Belarusian Statistics Ministry reported that Belarus' consumer price index grew 1.8 percent in January versus 0.8 percent in December 2006. The Statistics Ministry had projected an aggregate 2007 inflation rate of Belarus of six percent, or 0.5 percent per month.

¶14. Nine People Sentenced to Death in 2006

On February 12, the Chairman of the Supreme Court of Belarus, Valentin Sukala, announced that in 2006 the court sentenced nine people to death and seven to life imprisonment. In 2005, the court only sentenced two people to death. Sukala attributes the increase in death sentences to a number of high-profile criminal cases involving gang members who were convicted of committing 16 murders. Sukala believed that the cases could not have ended in anything other than a death sentence.

QUOTE OF THE WEEK

¶15. On February 12, during his interview with the Russian newspaper "Zavtra," President Lukashenko offered the following criticism about the current condition of the Union State with Russia:

"Russian authorities have put a noose around Belarus' neck. What kind of union are we speaking about when a factory, a collective farm, an owner of private business in Russia has privileged conditions, getting gas three times cheaper than economic entities in Belarus? Who needs such a union when we are oppressed this way? Sooner or later the Russian people will stand up from their knees and make the government carry out the right policy."

Stewart